

Energy Situation Analysis Report

Last Updated: September 3, 2002

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Latest Oil Market Developments

Oil prices fell sharply (over \$1 per barrel) in London and New York today (9/3/02) following a meeting between Iraq's Deputy Prime Minister Tariq Aziz and U.N. Secretary General Kofi Annan. After the meeting, Aziz offered to "cooperate with the United Nations." In additional bearish news for oil prices, a *Reuters* survey showed OPEC quota compliance at its worst levels since 1998. Prior to the Labor Day weekend, NYMEX near-month futures prices had risen by \$0.06 per barrel Friday (8/30/02), settling at \$28.98 per barrel. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The average world crude oil price on August 23, 2002 was \$26.23 per barrel, up \$0.98 per barrel from the previous week and \$1.74 per barrel more than last year. WTI was \$28.97 per barrel on August 30, 2002, \$1.02 per barrel less than last week and \$2.32 per barrel higher than last year. [more...](#)

World Oil Market Highlights

According to third quarter 2002 estimates, the world holds about 5.6 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity. [more...](#)

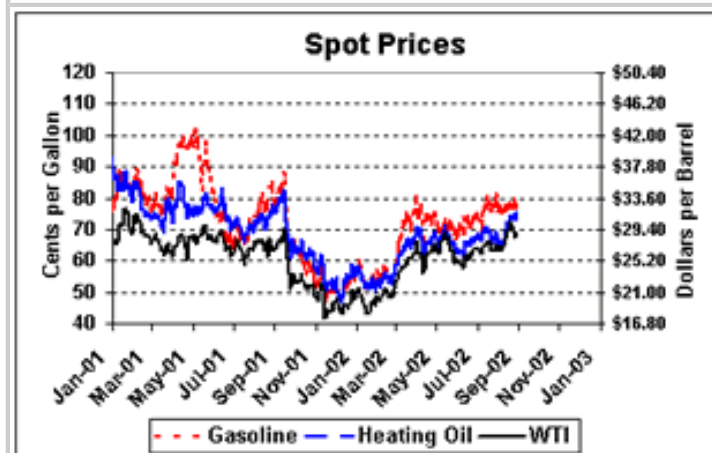
Latest U.S. Weekly Natural Gas Information

Since last Thursday (8/29/02), spot natural gas prices at most trading locations have fallen between 10 and 25 cents per MMBtu in response to the arrival of cooler temperatures and expected weak demand during the holiday weekend. The spot price at the Henry Hub on Friday dropped \$0.14 per MMBtu to an average of \$3.12 per MMBtu for gas flows through Monday, Sept. 2. [more...](#)

Energy Prices*

Petroleum Futures		8/30/02	8/29/02	Change
WTI (\$/Bbl)		28.98	28.92	+0.06
Gasoline (c/gallon)		81.42	81.32	+0.10
Heating Oil (c/gallon)		74.82	75.39	-0.57
Natural Gas (\$/MMBtu)				
Henry Hub		3.12	3.26	-0.14
California		2.82	3.01	-0.19
New York City		3.37	3.43	-0.06
Electricity (\$/Megawatthour)				
COB		28.00	24.90	+3.10
PJM West		40.35	26.62	+13.73
NEPOOL		47.50	35.75	+11.75
Average		36.90	31.47	+5.43

[*Definitions](#)



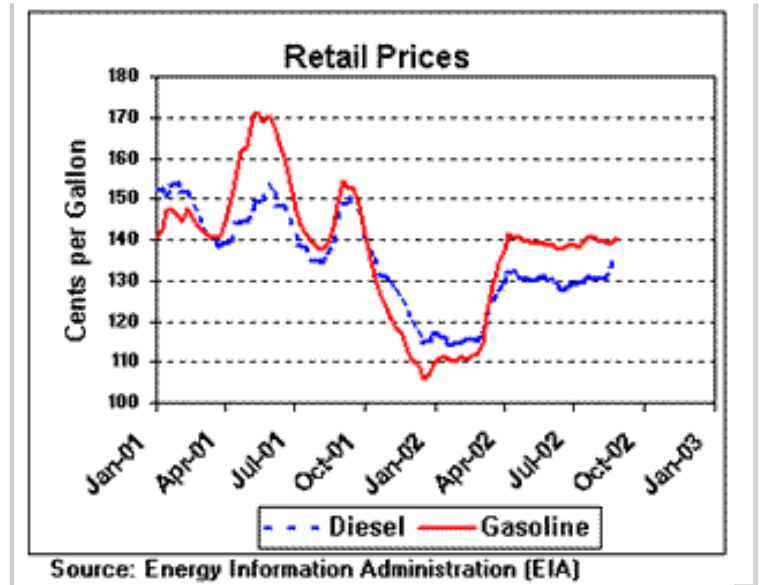
Source: Closing quote as reported by Reuters News Service

Latest U.S. Coal Information

For the week ending August 23, the week-to-week coal prices tracked by EIA were virtually unchanged. Average Central Appalachian coal prices were down an estimated 25 cents, Uinta Basin prices rose an estimated 25 cents, and the rest did not move. Compared to the previous floor in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.25 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 36% and 31% respectively. [more...](#)

Latest U.S. Electricity Information

Western U.S. spot electricity prices have been relatively steady over the past 7 days with only moderate fluctuations. Electricity prices in the Mid-continent region have shown moderate fluctuation over the past several trading days. Prices in the Northeast have increased significantly over the past two days as the region expected warmer temperatures for the weekend. [more...](#)



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Latest Oil Market Developments

(updated September 3, 2002)

Oil prices fell sharply in London and New York today (9/3/02) following a meeting between Iraq's Deputy Prime Minister Tariq Aziz and U.N. Secretary General Kofi Annan. After the meeting, Aziz publicly offered to "cooperate with the United Nations" (see below). In additional bearish news for oil prices, a *Reuters* survey showed OPEC quota compliance at its worst levels since 1998 (see below). The Aziz statement and *Reuters* survey helped push West Texas Intermediate (WTI) October crude oil futures on the New York Mercantile Exchange (NYMEX) down \$1.19 per barrel today, while Brent near-month futures closed about \$1 per barrel lower. Prior to the Labor Day weekend, NYMEX near-month futures prices had risen by \$0.06 per barrel Friday (8/30/02), settling at \$28.98 per barrel.

Conflicting signals from OPEC ahead of the cartel's September 19 meeting in Osaka, Japan are causing some confusion, with several countries calling for no hike in OPEC output quotas and others, particularly Saudi Arabia, appearing to be more open to an increase (see below). In general, oil prices have been driven higher since the spring by several factors, including: 1) significant cuts in OPEC production quotas during 2001, including an OPEC agreement with non-OPEC at the end of the year (note: increased OPEC "overproduction" above quota levels has mitigated this increasingly in recent months); 2) tensions in the Middle East, particularly speculation over the possibility of U.S. military action against Iraq; and 3) a steep slide in US crude oil inventories, with EIA data for the week ending August 9 showing US crude stocks (excluding the Strategic Petroleum Reserve) have fallen by 28 million barrels since the end of March.

Topics affecting **world oil markets** include:

- Following a meeting with UN Secretary General Kofi Annan, Iraqi Deputy Prime Minister Tariq Aziz today stated that Iraq was "ready to cooperate with the United Nations" on weapons inspections and other issues.
- A survey by *Reuters* estimated that OPEC oil production was 10%, or 2.15 million barrels per day, above quota levels. According to *Reuters*, this marks the worst OPEC compliance with quotas since 1998. The biggest overproducers in the survey were Saudi Arabia (650,000 barrels per day above quota) and Venezuela (360,000 barrels per day above quota), followed by Iran and Algeria.
- Several OPEC countries have stated positions regarding possible changes to OPEC oil production quotas leading up to the OPEC meeting on September 19 in Osaka, Japan. Kuwait's Oil Ministry said today (9/3/02) that it was "against the raising of the OPEC output unless the price exceeds the \$22-\$28 a barrel" OPEC basket price band. Indonesia's Energy Minister said today that

Indonesia's policy was "how to see the crude oil prices...increase." Venezuela's President, Hugo Chavez, stated Saturday (8/30/02) that "I prefer...that OPEC and Venezuela are not going to increase" production, while Venezuelan Oil Minister Rafael Ramirez said that oil prices have a "war premium" of "around 4 dollars" already built in. OPEC President Rilwanu Lukman said Sunday (9/1/02) that the main danger was of "putting too much oil into the markets," not too little, although he also said that current oil prices are "above the comfort zone."

- Saudi Oil Minister Ali Naimi was noncommittal about OPEC quotas, stating that "talk at the time being about what decisions OPEC will take at its upcoming meeting is premature," and that also that "talk of a specific position for the kingdom is untrue."
- The oil minister of Norway -- a major non-OPEC oil exporter -- said yesterday (9/2/02) that oil fundamentals called for an increase in OPEC production. Another major non-OPEC oil exporter, Russia, reported that its oil exports were 3.26 million barrels per day on August, about flat compared to July, while oil production increased to 7.76 million barrels per day -- up from 7.65 million barrels per day in July. Russian oil export facilities (ports and pipelines) appear to be near full capacity, possibly limiting potential near-term increases in Russian oil exports.
- As of September 3, 2002, the US Strategic Petroleum Reserve (SPR) contained 580.6 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown. The SPR drawdown rate declines to 3.1 million barrels per day from days 91-120, to 2.1 million barrels per day for days 121-150, and to 1.2 million barrels per day for days 151-180. The White House has indicated (8/19/02) that it has no plans to tap the SPR, but has warned of possible "risks ahead in the [oil] markets."

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Latest U.S. Weekly EIA Petroleum Information

(updated August 29, 2002)

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.3 million barrels per day during the week ending August 23, down nearly 200,000 barrels per day from the previous week. Declines in PADD I (East Coast), PADD III (Gulf Coast) and PADD V (West Coast) more than compensated for small increases in PADD II (Midwest) and PADD IV (Rocky Mountains). Over the last four weeks, crude oil refinery inputs have averaged 15.3 million barrels per day, or slightly more than was averaged last year at this time. A sharp decline in motor gasoline refinery production occurred last week, while distillate fuel refinery production remained relatively flat.

Petroleum Imports

U.S. crude oil imports fell by about 200,000 barrels per day last week to average 9.2 million barrels per day. During the most recent four weeks, crude oil imports have averaged about 9.1 million barrels per day, or about 300,000 barrels per day less than during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged nearly 1 million barrels per day last week for the second week in a row.

Petroleum Inventories

With crude oil refinery inputs down by about the same amount crude oil imports fell, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by only 0.3 million barrels last week, and are 6.3 million barrels lower than a year ago. Crude oil inventories in PADD II, the region that includes Cushing, OK, remained around 60 million barrels. Motor gasoline inventories last week dropped by 1.9 million barrels, with distillate fuel inventories falling by 1.8 million barrels. A 2.4-million-barrel drop in low-sulfur distillate fuel (often referred to as diesel fuel) more than compensated for a small increase in high-sulfur distillate fuel (often referred to as heating oil) inventories. Total commercial petroleum inventories are now about 3.0 million barrels above year-ago levels.

Petroleum Demand

Total product supplied over the last four-week period averaged 20.3 million barrels per day or about 0.9% more than the level last year. Motor gasoline demand has averaged 2.3% above last year's level over the last four weeks, while distillate fuel demand has averaged 4.1% below last year's level. Jet fuel demand over the last four weeks was 7.4% below year-ago levels.

Spot Prices (updated September 3, 2002)

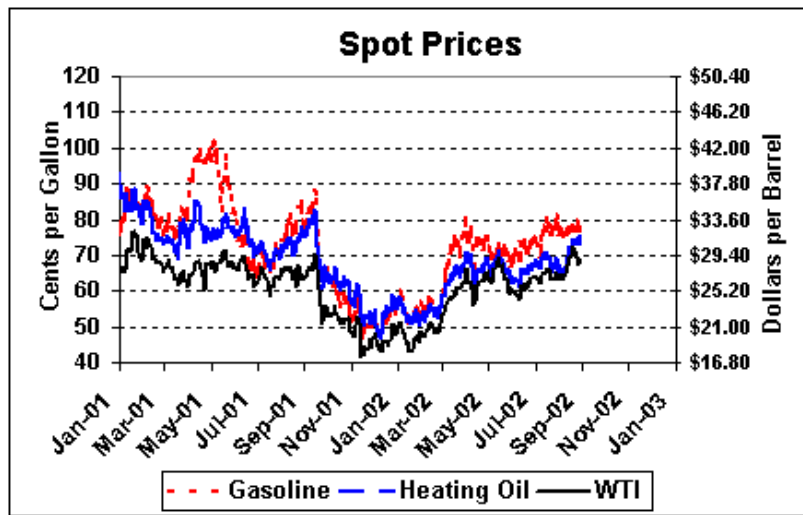
The average world crude oil price on August 23, 2002 was \$26.23 per barrel, up \$0.98 per barrel from the previous week and \$1.74 per barrel more than last year. WTI was \$28.97 per barrel on August 30, 2002, \$1.02 per barrel less than last week and \$2.32 per barrel higher than last year. The spot price for conventional gasoline in the New York Harbor was 77.32 cents per gallon, up 0.47 cent from last week but 1.33 cents per gallon lower than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 76.75 cents per gallon, 0.65 cents above last week but 1.68 cent per gallon less than last year.

Retail Gasoline and Diesel Fuel Prices

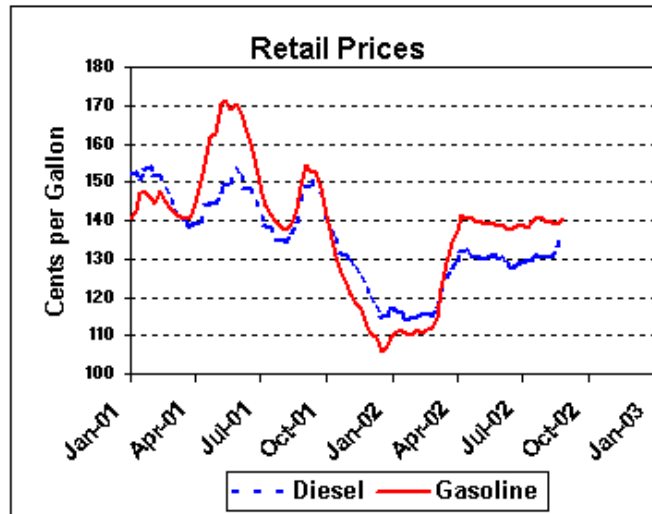
After declining for four consecutive weeks, the U.S. average retail price for regular gasoline increased during the week ending August 26, gaining 1.1 cents per gallon, to end at 140.3 cents per gallon. This price is 8.5 cents per gallon lower than last year, marking the second week in a row that 2002 prices were lower than 2001 prices. Prices were up throughout the country, with the largest increase occurring in the Midwest, where prices rose 2.8 cents to end at 140.2 cents per gallon. Gasoline prices have remained relatively flat throughout the summer, with prices fluctuating within a 3.5-cent per gallon range since April 15. Prices typically decline somewhat after the Labor Day holiday, but it is unlikely that price decreases will be as steep this year as in 2001, especially with the price of West Texas Intermediate crude oil hovering around \$29-\$30 per barrel. Retail diesel fuel prices increased for the second week in a row, rising by 3.7 cents per gallon to a national average of 137.0 cents per gallon as of August 26.

U.S. Petroleum Prices

(updated September 3, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		ct/gal	cents per gallon		cents per gallon	
7/15/2002	\$27.23	\$27.07	76.68	80.85	69.20	69.55	72.25	37.07	34.88	139.4	130.0
7/16/2002	\$27.68	\$27.75	79.95	84.53	69.99	71.09	73.04	37.19	34.88		
7/17/2002	\$27.88	\$27.88	80.43	84.84	70.08	70.98	73.13	36.75	34.88	141.0	131.1
7/18/2002	\$27.50	\$27.57	78.25	83.35	69.43	70.18	72.81	37.44	34.88		
7/19/2002	\$27.83	\$27.83	78.85	83.86	69.45	70.14	73.10	37.13	35.25	140.7	130.3
7/22/2002	\$26.61	\$26.60	76.13	81.14	66.60	67.11	70.38	37.13	35.13		
7/23/2002	\$26.61	\$26.31	75.38	79.52	65.40	65.85	69.18	37.07	35.13	139.5	130.4
7/24/2002	\$26.78	\$26.87	77.48	82.33	67.15	67.60	71.20	37.38	35.00		
7/25/2002	\$26.67	\$26.77	77.15	82.24	66.55	67.41	71.40	37.38	35.00	139.3	130.3
7/26/2002	\$26.55	\$26.54	77.34	82.21	66.13	66.75	70.88	37.44	35.57		
7/29/2002	\$26.54	\$26.55	78.66	83.16	66.30	66.60	71.40	37.57	36.07	139.2	133.3
7/30/2002	\$27.43	\$27.36	81.13	85.61	68.75	68.87	73.90	37.57	36.07		
7/31/2002	\$27.02	\$27.02	78.47	83.03	67.04	67.64	72.30	38.63	38.00	140.3	137.0
8/1/2002	\$26.51	\$26.47	75.67	76.22	65.70	67.20	70.50	38.94	38.82		
8/2/2002	\$26.87	\$26.84	77.50	77.48	66.10	67.66	70.90	38.32	38.07	140.3	137.0
8/5/2002	\$26.55	\$26.58	76.30	76.82	64.40	66.64	69.65	38.29	37.94		
8/6/2002	\$27.18	\$27.17	76.65	77.47	65.70	67.78	70.95	38.63	38.07	140.3	137.0
8/7/2002	\$26.58	\$26.50	75.00	75.46	65.00	66.61	70.45	38.50	38.25		
8/8/2002	\$26.67	\$26.67	74.95	75.54	65.83	67.24	71.38	38.75	39.19	140.3	137.0
8/9/2002	\$26.87	\$26.86	75.43	75.50	65.43	67.18	71.18	39.19	39.19		
8/12/2002	\$27.84	\$27.86	76.28	77.75	67.75	69.46	73.32	40.25	40.19	140.3	137.0
8/13/2002	\$28.35	\$27.90	76.98	77.38	68.80	69.42	74.38	40.13	40.25		
8/14/2002	\$28.19	\$28.15	75.88	77.64	68.73	70.14	74.48	40.88	41.63	140.3	137.0
8/15/2002	\$28.99	\$29.06	77.82	79.76	71.48	72.78	76.48	41.50	41.75		
8/16/2002	\$29.24	\$29.33	76.50	79.19	72.00	73.45	77.00	41.50	41.88	140.3	137.0
8/19/2002	\$29.86	\$29.84	76.50	79.09	72.05	73.39	76.90	42.13	42.88		
8/20/2002	\$30.12	\$30.11	77.70	80.03	72.20	73.80	76.95	42.13	42.88	140.3	137.0
8/21/2002	\$30.37	\$29.24	78.19	80.66	74.00	75.42	79.05	42.88	43.63		
8/22/2002	\$30.11	\$28.84	77.08	79.66	73.91	74.82	78.12	43.07	43.82	140.3	137.0
8/23/2002	\$29.99	\$28.63	76.85	79.52	73.40	73.90	77.88	43.38	43.32		
8/26/2002	\$29.23	\$29.28	79.05	82.11	73.55	75.11	78.13	44.75	43.88	140.3	137.0
8/27/2002	\$28.84	\$28.83	78.85	81.80	73.88	75.01	78.25	44.75	43.88		
8/28/2002	\$28.31	\$28.34	76.68	80.18	73.57	74.45	77.73	44.88	43.25	140.3	137.0
8/29/2002	\$28.83	\$28.92	77.87	81.32	74.20	75.39	78.43	45.00	43.25		
8/30/2002	\$28.97	\$28.98	77.32	81.42	74.93	74.82	79.03	45.19	43.13	140.3	137.0

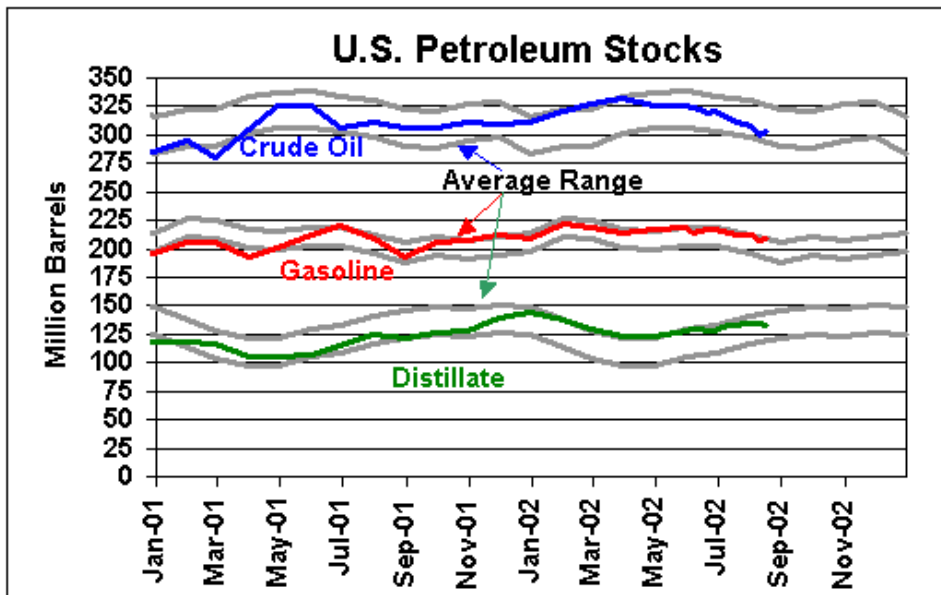
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	8/23/2002	8/23/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,327	15,283	44	0.3%
Operable Capacity	16,800	16,662	138	0.8%
Operable Capacity Utilization (%)	92.2%	93.4%	-1.2%	
Production				
Motor Gasoline	8,644	8,321	323	3.9%
Jet Fuel	1,533	1,605	-72	-4.5%
Distillate Fuel Oil	3,478	3,693	-215	-5.8%
Imports				
Crude Oil (incl. SPR)	9,119	9,419	-300	-3.2%
Motor Gasoline	899	721	178	24.6%
Jet Fuel	97	124	-27	-22.0%
Distillate Fuel Oil	194	211	-17	-8.2%
Total	11,359	11,652	-293	-2.5%
Exports				
Crude Oil	30	24	6	23.2%
Products	954	987	-33	-3.4%
Total	984	1,012	-28	-2.7%
Products Supplied				
Motor Gasoline	9,170	8,968	202	2.3%
Jet Fuel	1,602	1,727	-125	-7.2%
Distillate Fuel Oil	3,619	3,773	-154	-4.1%
Total	20,289	20,103	186	0.9%

vs. Year Ago

	8/23/2002	8/23/2001	vs. Year Ago	
Stocks (Million Barrels)			Diff.	% Diff.
Crude Oil (excl. SPR)	303.1	309.4	-6.3	-2.0%
Motor Gasoline	206.8	197.8	9.0	4.6%
Jet Fuel	39.3	41.8	-2.5	-6.0%
Distillate Fuel Oil	131.6	122.9	8.7	7.1%
Total (excl. SPR)	1,013.3	1,010.3	3.0	0.3%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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World Oil Market Highlights

(updated August 20, 2002)

According to third quarter 2002 estimates, the world holds about 5.6 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

Major Sources of U.S. Petroleum Imports, Jan.-May 2002*			
(all volumes in million barrels per day)			
	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.91	1.45	0.46
Saudi Arabia	1.52	1.50	0.02
Mexico	1.48	1.45	0.03
Venezuela	1.33	1.14	0.19
Iraq	0.70	0.70	0.00
Nigeria	0.54	0.51	0.03
United Kingdom	0.39	0.31	0.08
Norway	0.37	0.33	0.04
Algeria	0.32	0.04	0.28
Angola	0.32	0.31	0.01
Total Imports	11.15	8.86	2.29

* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in Jan.-May 2002.

Top World Oil Net Exporters, Jan.-May 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.64
2)	Russia	4.81
3)	Norway	3.18
4)	Iran	2.43
5)	Venezuela	2.34

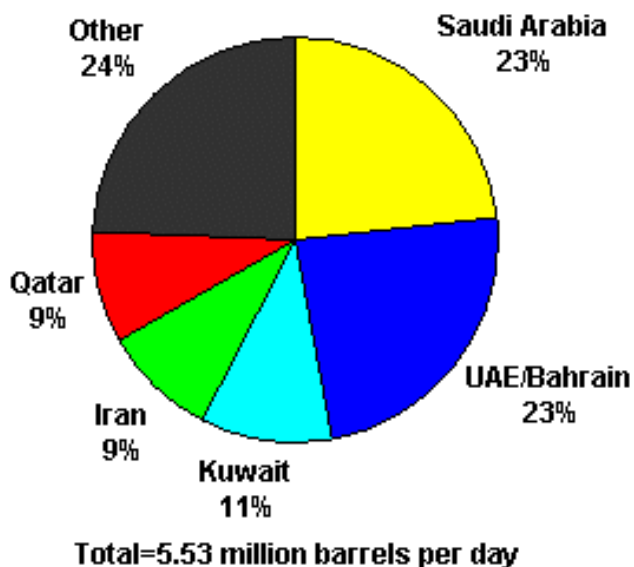
6)	United Arab Emirates	1.92
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

**Table includes all countries with net exports exceeding 1 million barrels per day in Jan.-May 2002.*

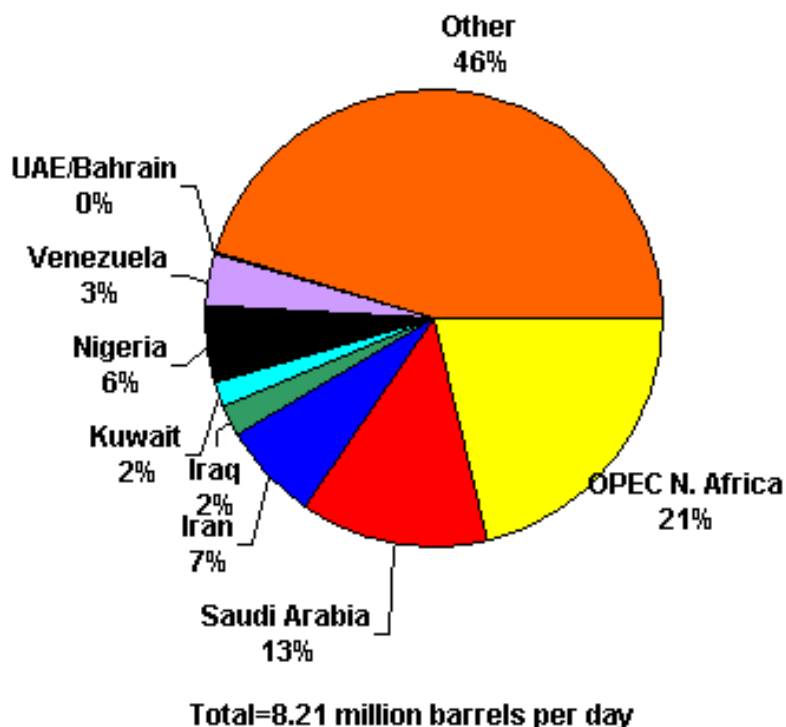
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During the first quarter of 2002, about 25% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around 28% from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

Japanese Net Oil Imports by Country, 1Q 2002



OECD European Net Oil Imports by Country, 1Q 2002



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Latest U.S. Weekly Natural Gas Information

(updated September 3, 2002)

[Industry/Market Developments](#)

Western Gulf Sale Attracts \$151 Million in High Bids: Leases in the gas-prone western Gulf of Mexico attracted \$151 million in high bids during Lease Sale 184 on August 21, according to the Minerals Management Service (MMS). MMS received a total of 391 bids on the approximately 22.3 million acres available offshore Texas and Louisiana. Claiming success on the sale, MMS noted spirited bidding particularly in the deepwater Alaminos Canyon area. About 39 percent of the tracts receiving bids are located in the "ultra-deep water," defined as depths of more than 800 meters (approximately 2,624 feet). The deepest tract receiving a bid was Alaminos Canyon Block 902, which is located in 2,996 meters of water (9,827 feet), according to MMS. Garden Banks Block 337 attracted a combined bid from Dominion Exploration and Production, Inc. and the U.S. subsidiary of Nexen of \$8.3 million, the highest bid during the sale. Top bidders included several independent oil and gas companies such as Kerr-McGee (53 bids), Amerada Hess (52 bids), and Pioneer Natural Resources (42 bids).

[Storage](#)

Working gas in storage reached 2,716 Bcf for the week ended August 23, according to EIA's *Weekly Natural Gas Storage Report*, which is 13 percent above the 5-year average. Current stocks exceed the 5-year average by 307 Bcf, and are 82 Bcf above the maximum level of the previous 5 years. The implied net injection for the week was 59 Bcf, which is equal to the prior 5-year (1997-2001) average, and exceeded last week's implied net injection by 22 Bcf.

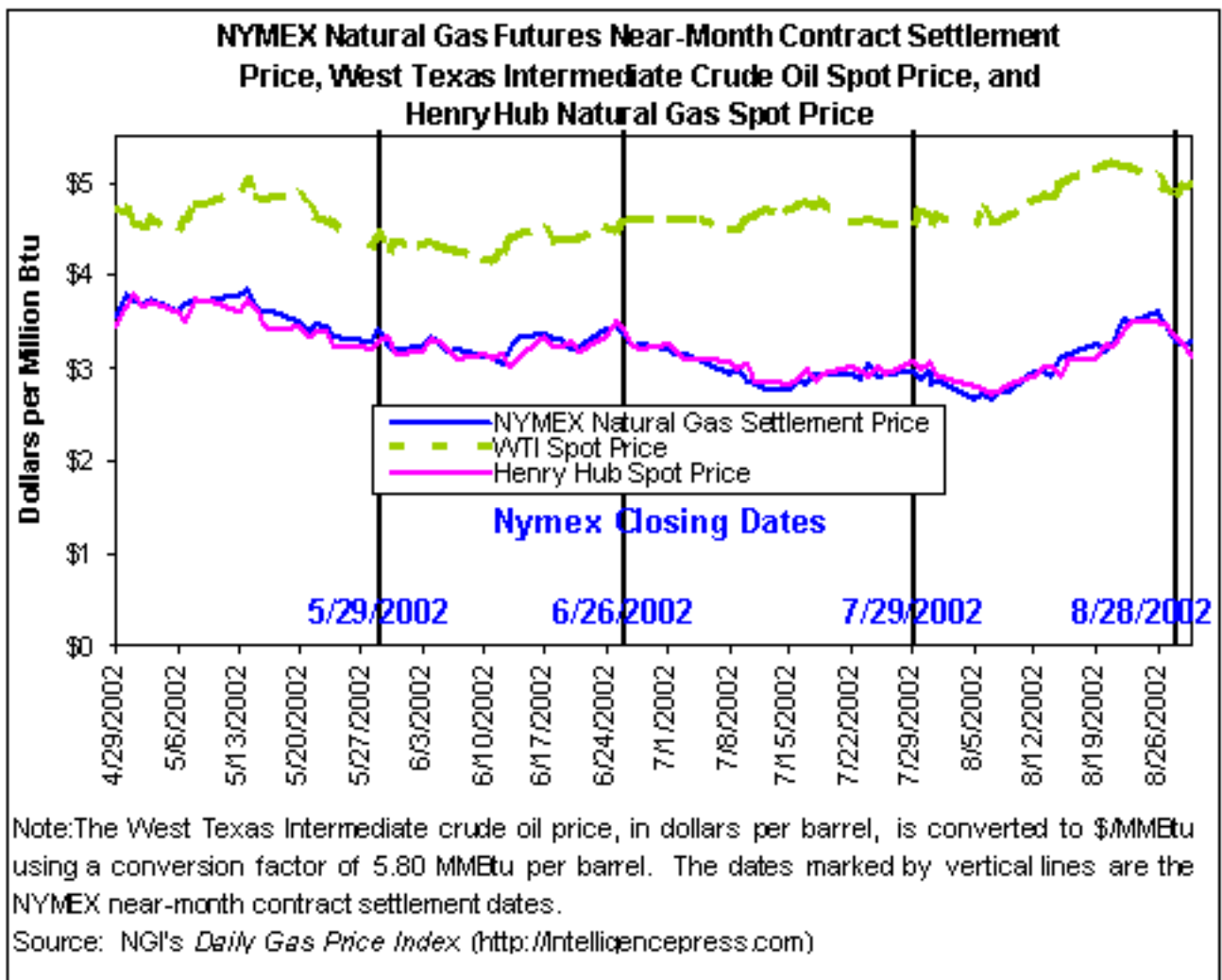
All Volumes in Bcf	Current Stocks 8/23/02	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Implied Net Change from Last Week	One-Week Prior Stocks 8/16/02
East Region	1,537	1,450	6.0%	43	1,494
West Region	376	315	19.4%	8	368
Producing Region	803	644	24.7%	8	795
Total Lower 48	2,716	2,409	12.7%	59	2,657

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Since Thursday (August 29), spot prices at most trading locations have fallen between 10 and 25 cents per MMBtu in response to the arrival of cooler temperatures and expected weak demand during the holiday weekend. The spot price at the Henry Hub on Friday dropped \$0.14 per MMBtu to an average of \$3.12 per MMBtu for gas flows through Monday, Sept. 2. During the last two days of trading last week, the Henry Hub spot price declined \$0.21 per MMBtu. Prices dropped a more moderate \$0.12 per MMBtu at both Chicago and New York City to an average of \$3.13 and \$3.37 per MMBtu, respectively. Prices in the Rockies remained depressed with gas selling at several points at an average of well under \$1 per MMBtu. The spot price for gas at points on the Colorado Interstate Gas pipeline on Friday fell \$0.19 per MMBtu to \$0.67 per MMBtu, among the lowest prices recorded for the day.

At the NYMEX, the price for the futures contract for October delivery dropped slightly more than a dime in its first two days of trading as the near-month contract last Thursday and Friday. On Thursday, the price for the near-month contract lost \$0.153 per MMBtu after the release of the latest estimates for storage inventories in the Lower 48 States. During trading the following day, the contract rebounded slightly less than a nickel to close at \$3.296 per MMBtu.



<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-October delivery	NYMEX futures contract-November delivery
8/5/2002	2.57	2.81	3.25	2.76	2.720	3.065
8/6/2002	2.54	2.79	3.18	2.73	2.755	3.104
8/7/2002	2.48	2.73	3.04	2.65	2.704	3.066
8/8/2002	2.46	2.75	2.99	2.66	2.784	3.134
8/9/2002	2.54	2.83	3.41	2.73	2.804	3.146
8/12/2002	2.70	2.91	4.10	2.82	3.001	3.316
8/13/2002	2.76	3.03	4.90	2.95	3.018	3.328
8/14/2002	2.74	3.03	4.38	2.96	2.955	3.267
8/15/2002	2.65	2.92	4.07	2.86	3.172	3.457
8/16/2002	2.76	3.10	3.64	3.02	3.208	3.488
8/19/2002	2.77	3.10	3.49	3.00	3.327	3.602
8/20/2002	2.90	3.26	3.66	3.16	3.226	3.498
8/21/2002	2.84	3.22	3.67	3.11	3.339	3.601
8/22/2002	2.93	3.38	3.76	3.23	3.591	3.828
8/23/2002	3.01	3.49	3.78	3.35	3.543	3.785
8/26/2002	3.15	3.51	3.74	3.42	3.676	3.919
8/27/2002	3.11	3.48	3.67	3.39	3.531	3.784
8/28/2002	3.05	3.33	3.49	3.25	3.403	3.673
8/29/2002	3.01	3.26	3.43	3.22	3.250	3.555
8/30/2002	2.82	3.12	3.37	3.13	3.296	3.626

* Average of NGI's reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>)

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Definitions

Petroleum

WTI – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

Henry Hub – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

Electricity

COB – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

Palo Verde - average price of electricity traded at Palo Verde and West Wing Arizona.

Average - average price of electricity traded at all locations.

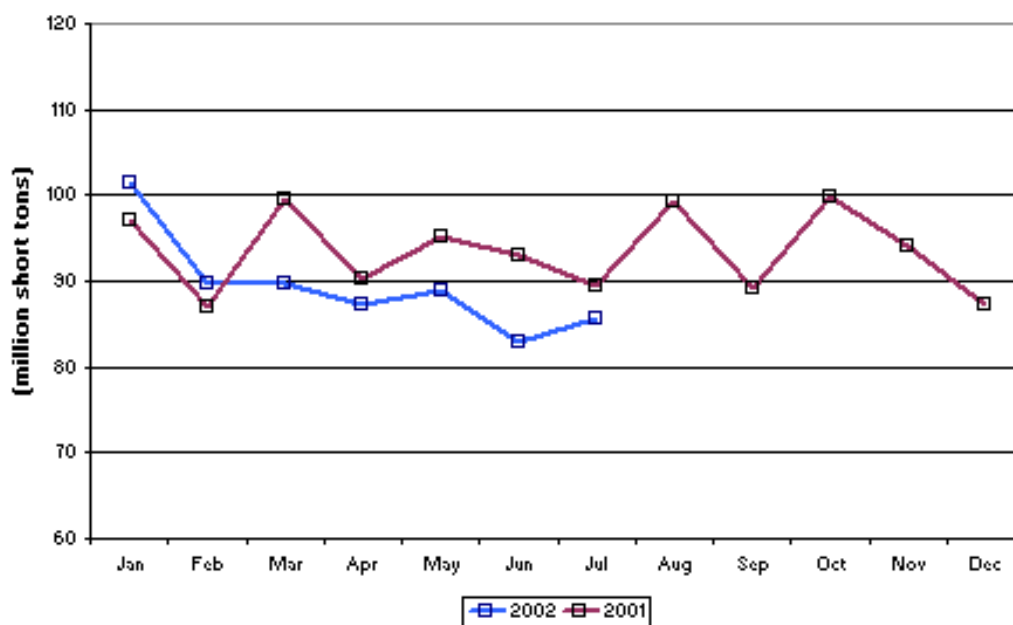
Latest U.S. Coal Information

(updated August 29, 2002)

Coal Production

For the week ending August 24, rail car loadings of coal were 4.5% lower while national [coal production](#) was 2.0% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 1.9% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 7.0% below last year's level. The estimated production for the first seven months of 2002 was 620.1 million short tons (mst), 3.9% lower than the 651.3 mst in the first seven months of 2001.

U.S. Monthly Coal Production



Lower production at this time results from large coal stockpiles at mines and at consuming facilities due to slowed economic activity and an extended spring period of low seasonal demand at many electric power plants. EIA estimates that coal stockpiled in the electric power sector at the end of March was 35.1% higher than in March 2001. In the first and second quarters of 2002, coal production exceeded coal use and consequently stockpiles built up much above planned levels. Cumulative weekly coal production volumes are down more (in absolute terms) than are cumulative rail car loadings. This reflects a rundown occurring now in producer and distributor stockpiles. The stock rundown (and its dampening impact on production) will continue until coal stockpiles attain normal levels.

It appears that there was about a 30 million ton overage in the supply chain following the first quarter of 2002, so it was expected to take several months of curtailed production to reduce the excess producer and distributor stocks. With warmer-than-normal temperatures in most of the country during the July and August, inventories at electricity generators have started down. Would-be buyers, however, are finding coal producers holding firm on price demands. While some eastern mines are back in production, the major suppliers are still keeping a number of large mines idle awaiting better prices for contract coal. Supplies of eastern compliance coal are reportedly tight as the unusually

protracted pricing standoff continues.

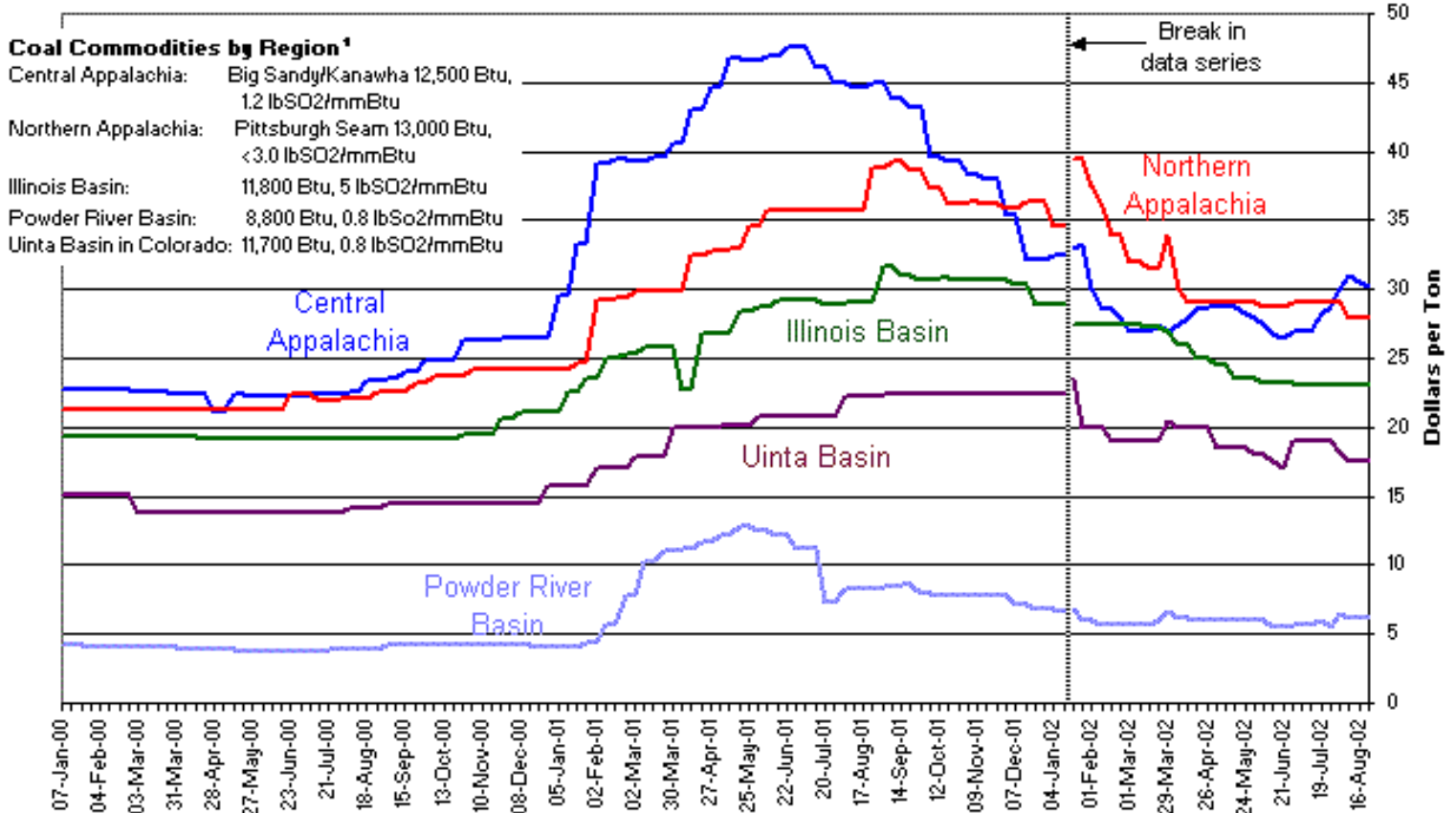
As for longer-term supplies, in Fayette County, Illinois, a newly formed company named Clean Coal Power Resources, Inc. plans to open what would be the largest underground coal mine in the United States within the next 2 years. Company spokesman, Ken Hoskins, reports that the company is securing permits and "bringing together hundreds of pieces" of the project at this time (Herald & Review (Decatur, IL), August 21). The project is expected to use much of the coal to power at least one coal gasification plant, to be built nearby (Platts Coal Outlook, September 2). The Fayette County location was chosen because of the huge block of coal resources available, estimated at 1.6 billion short tons. The mine is projected to create as many as 1,700 jobs over the next 10 years. By using Clean Coal Technology, the project will qualify for "tens of millions of dollars" in tax savings and incentives authorized under the Illinois Coal Revival Initiative legislation passed in 2001, according to Michael Murphy of the Illinois Department of Commerce and Community Affairs, while the county will earn at least \$3 million per year in royalties.

Coal Prices

For the week ending August 23, the week-to-week coal prices tracked by EIA were virtually unchanged (graph below). Average Central Appalachian coal prices were down an estimated 25 cents, Uinta Basin prices rose an estimated 25 cents, and the rest did not move. Mixed coal prices in recent weeks, but with no overall trend, mirror the differing opinions as to whether prices will continue to decline, and reflect hesitancy among coal buyers. Relatively few buyers are in the market, as most electric power generators have enough coal on hand for anticipated remaining summer consumption and some expect to have larger than average stockpiles even at the end of a hot summer because of lower electricity demand during 2002.

Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$17.00 and \$11.00 per short ton, respectively. Compared to the previous floor in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.25 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 36% and 31% respectively. Other prices are also running higher than the summer 2000 base: by 29% for the Uinta Basin, 20% for the Illinois Basin, and 67% for the Powder River Basin. Significantly, since the week ended August 2, the average spot price for largely compliance Central Appalachian coal (see graph) has continued to stay above that of Northern Appalachian Pittsburgh seam coal, as had long been the norm prior to November 2001.

Average Weekly Coal Commodity Spot Prices Week Ended August 23, 2002



¹Prior to January 11, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end.

Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

Over-the-counter (OTC) trading volumes on the [NYMEX](#) were low throughout the month of July. The past week saw limited activity, while offered prices remained firm, moving above \$30.00 for near-month contracts. These prices come after 5 months of slow but steady increases and they represent the first prices above \$30.00 since November 2001. Also contributing to an expectation of higher coal prices, NYMEX prices are also above \$30.00 for all 2003 delivery dates.

Coal Mining Legal Issues

Earlier this month the Department of Justice (DOJ) filed its expected brief appealing a May 8 injunction that put on hold permits for new surface mining in West Virginia and other parts of Central Appalachia (see Archives, August 6 and June 27, 2002). The DOJ argues that Judge Charles Haden III "erred" by defining overburden used in valley fills as illegal "waste" under Section 404 of the Clean Water Act. The appeal contends that the "waste" is actually "fill material" and is legal, and that it is not necessary that filled valleys be earmarked for some higher use, as Judge Haden interprets the Section 404 requirements. Briefings in this case will continue for several weeks. A ruling by the appeals court is not expected until early 2003. (Platts Coal Outlook, August 19, 2002).

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Latest U.S. Electricity Information

(updated September 3, 2002)

Selected Wholesale Electricity Prices: Western U.S. spot electricity prices have been relatively steady over the past 7 days with only moderate fluctuations. COB prices ranged between \$24.88 and \$28.13 per megawatthour, while prices at NP-15 and SP-15 ranged between \$30.14 and \$35.50 per megawatthour. Relatively cool weather contributed to stable prices in the region.

Similarly, electricity prices in the Mid-continent region have shown moderate fluctuation over the past several trading days. For example, Cinergy's price was \$29.11 per megawatthour on August 28 but decreased to \$25.59 per megawatthour on August 29 and then rose to \$35.36 per megawatthour on August 30, 2002. The weekend increase in prices has been attributed to reduced output from nuclear power plants and the associated risk of selling four days in advance.

On the other hand prices in the Northeast have increased significantly over the past two days as the region expected warmer temperatures for the weekend. On August 30, prices increased \$13.73 to \$40.35 per megawatthour at PJM, and \$11.75 to \$47.50 per megawatthour at NEPOOL. The New York Zone J, New York City, saw prices increase \$11.25 to \$65.00 per megawatthour on August 30, 2002.

Over the past seven days, the average price at all trading centers has ranged between \$36.90 and \$31.47 per megawatthour.

U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

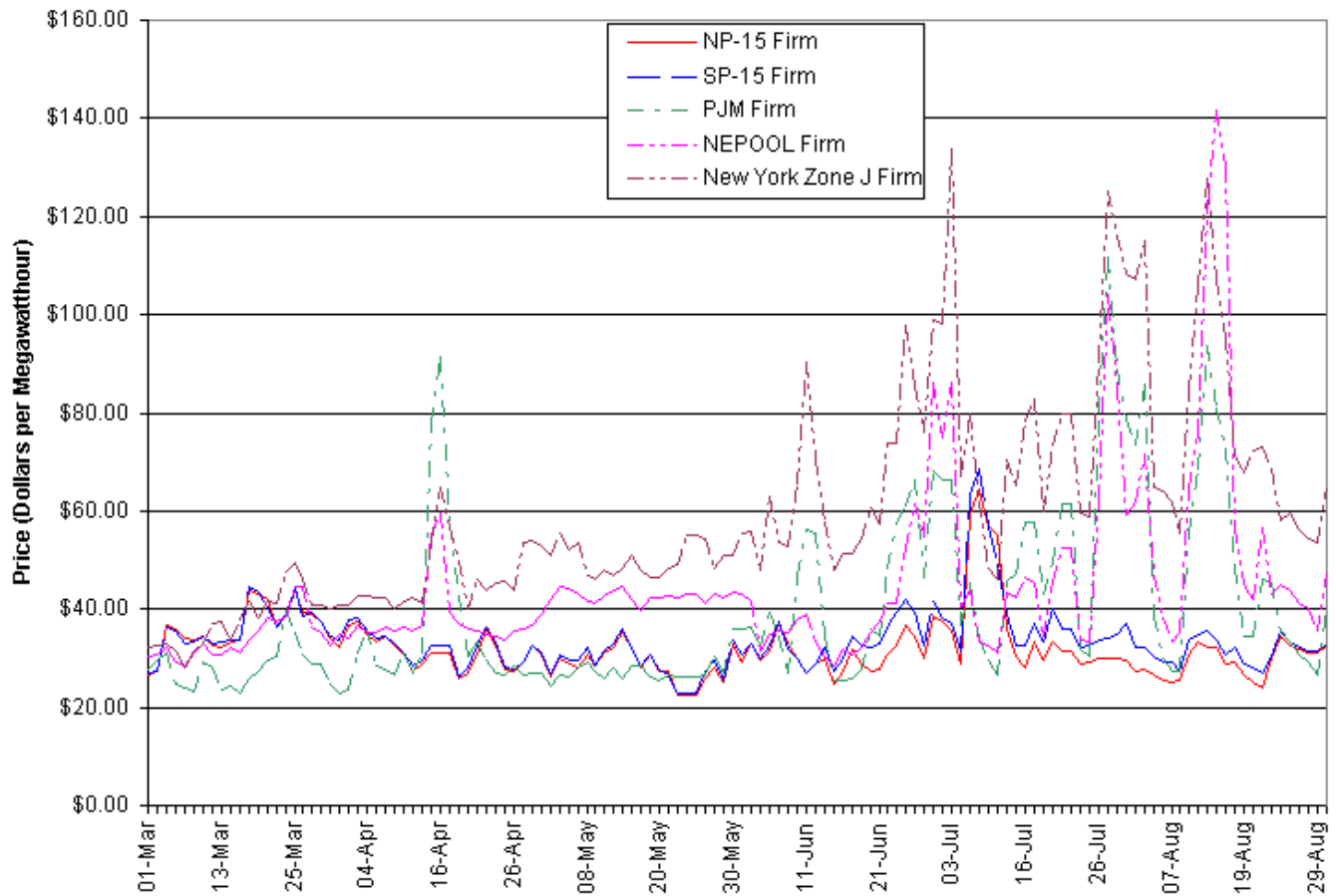
Trading Centers	Date							Price Range		
	8/22/02	8/23/02	8/26/02	8/27/02	8/28/02	8/29/02	8/30/02	Max	Min	Average
COB	24.88	28.13	26.00	25.50	24.90	24.90	28.00	28.13	24.88	25.86
Palo Verde	30.19	37.14	34.37	30.85	29.71	29.71	31.66	37.14	29.71	31.26
Mid-Columbia	16.32	18.93	19.28	22.29	23.88	23.88	25.58	25.58	16.32	22.98
Mead/Marketplace	32.02	38.29	34.33	34.44	33.38	33.38	35.93	38.29	32.02	34.29
4 Corners	29.33	35.38	33.09	30.95	30.00	30.00	31.00	35.38	29.33	31.01
NP 15	30.14	34.30	32.50	31.96	31.05	31.05	32.44	34.30	30.14	31.80
SP 15	30.47	35.50	33.25	32.38	31.54	31.54	33.09	35.50	30.47	32.36
PJM West	45.28	35.21	33.44	30.65	29.37	26.62	40.35	45.28	26.62	32.09
NEPOOL	43.00	45.06	44.00	41.19	40.19	35.75	47.50	47.50	35.75	41.73
New York Zone J	68.50	58.25	59.50	56.25	54.50	53.75	65.00	68.50	53.75	57.80
Cinergy	37.43	26.05	28.25	29.28	29.11	25.59	35.36	37.43	25.59	29.52
Average Price	35.23	35.66	34.36	33.25	32.51	31.47	36.90	36.90	31.47	33.70

Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

Notes:

n.q. - No quotes available for the day.

COB:	Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
Palo Verde:	Average price of electricity traded at Palo Verde and the West Wing, Arizona.
Mid-Columbia:	Average price of electricity traded at Mid-Columbia.
Mead/Market Place:	Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
Four Corners:	Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
NP-15:	Average price of electricity traded at NP-15.
SP-15:	Average price of electricity traded at SP-15.
PJM-West:	Average price of electricity traded at PJM Western hub.
NEPOOL	Average price of electricity traded at Nepool.
New York Zone J:	Average price of electricity traded at the New York Zone J - New York City.
Cinergy:	Average price of electricity traded into the Cinergy control area.

Average Wholesale Electricity Prices in the U.S.

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